

3 March 1963

To: Audit Bureau Office Washington D.C.

Subj: Steb Corporation, Lexington Mass, Contract BT-1943:  
Interim Audit Report for the period December  
through 25 January 1963

Encl: (1) Copy of document to 1088 of 15 Feb 1963 w/panel  
(2) Memo to 63-032 of 12 Feb 1963 (Act to Gen)  
(3) Status of Contract as of 25 Feb 1963  
(4) Auditor's Summary of Costs Incurred, Reception  
through 25 Jan 1963

1. As requested in enclosures (1) and (2), an interim audit  
of the costs under the subject contract has been  
performed by the auditor. Results of the audit are  
set forth in enclosures (3) and (4).

2. For the purpose of clarification, it should be  
understood that, while no formal interim audit has  
been performed prior to this time, continuous review  
has been effected by the auditor by means of repeated  
meetings with the project people and also by frequent  
examination of the cost records pertinent to the job.

3. The apparent area of confusion that exists money-wise  
in costs incurred by the end of February. As can be  
seen in enclosure (3) actual, booked (incurred) costs  
through 25 January 1963 aggregate [redacted] As to this  
is added the estimate of February expenditures and the  
cost commitments, it can be seen in this same enclosure

(1)

that gross expenditures at the end of February will total

STATINTL

[redacted] This plus a review of the expenditures

forecast through completion does not appear to be  
indication of over-run. It should be further noted

STATINTL

that within the gross expenditures cited is the transfer  
of [redacted] (material/cost only) from the prior job (E-5).

4. The auditor has reviewed material costs for the  
items of more significant dollar value, and based upon  
this review has determined these costs to be allocable and  
applicable to work performed under the contract.

Direct labor has been traced from the cost ledger to  
the supporting J.B.H. runs and on a test basis to the  
original labor records.

5. Overhead and general and administrative rates represent  
application by the contractor of adjusted book rates. Consistent  
with the provisional rates approved for billing purposes by  
the cognizant audit activity.

6. The auditor, subject to the further findings of the  
Contracting Office, would recommend acceptance of  
the costs incurred as reasonable, allocable, and  
applicable to work performed under the subject contract.

7. If additional information is necessary concerning any  
fact which should be explained more thoroughly,  
please call or write.

Ken

Da: 15 July 1963MEMORANDUM FOR: LEN

SUBJECT

Request for Assist Audit  
SurveyTYPE: Cost AnalysisCost Audit X

Property Audit

Contract Data

Site Livingston I

BT-1943

Cost to latest available date

Interim

Type

REMARKS:

1. It is requested that (assist audit) (cost analysis be performed as indicated above).

2. Please sign below and return the original copy of document No. 1088 upon receipt.

3. The working papers (should) (should not) accompany the draft report of audit.

4. The attachments to this document are to be returned with the draft report.

BY Bill

REMARKS: Len: Attachment is for your information. It looks like ITEN is spending at a rate which may produce a substantial overrun. Hendel would appreciate having the interim audit expedited by you.  
Bill

Receipt is acknowledged for:

Date

Signature

Enclosure (1)

LAN-63-019  
11 Feb 1963

Dear Wendell:

Our Lanyard contract, BT-1943, with ITEX now totals [ ] dollars, including three follow-ons etc. By the end of February contractor will have incurred costs slightly in excess of [ ] dollars. Contractor will have delivered all equipment prior to October 1963 but will definitely have responsibilities under the contract through the end of that month. At the present time ITEX is about half way through the program.

To the best of my knowledge an interim audit has not been performed as yet and in view of the progress of the work and the amount of costs incurred, I am wondering if an interim audit would not be in order at this time. I do not know what the practice has been heretofore; however, I believe that [ ] has sufficient time to perform such an audit.

If neither you nor Bill E. see any objections to this I would like to request Len to perform such an audit at the earliest date and to prepare a detailed and official report as to the reliability of costs charged to BT-1943.

-I would appreciate your advice on this.

Art

Cy 1 - Wendell  
2 - BT 1943

**SECRET**  
**SPECIAL HANDLING**

Memo No. 63-022

12 February 1963

Dear Len:

As you may know, we are very close to definitizing Amendment No. 1 to Contract BT-1943. Dana sent me the revision to both the work statement and the specification and the Amendment is now being prepared. I hope to forward it to Dana for his signature within a week.

The total contract price is now  and contractor is over half way through in terms of time. end of this month, February, the forecast is  covering commitments, etc.

25X1A

25X1A

In view of the status of this contract at this time, from the standpoint of both money and time, I would like to have an interim audit performed by yourself. Would you, therefore, conduct an interim audit in the immediate future and furnish me with an official audit report covering all costs charged to the contract with your recommendations as to the allowability thereof.

Sincerely

*Art*  
Art

Cy 1 - Len  
2 - File

*Encl (2)*  
**SECRET**  
**SPECIAL HANDLING**

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